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.100 INTRODUCTION

Collections play an integral part in the Community Services Board - client relationship. From the initial intake interview, through the time the client ceases using the board's services, the fee collection process is involved. In accordance with the Code of Virginia, § 37.1-197(7), the Board shall establish a reimbursement system to maximize the collection of fees from persons receiving services. The CSB is obligated to collect the cost of services from third party sources and from those who have the ability to pay. No individual can be denied services due to **inability** to pay and all clients must be charged in a like manner regardless of financial ability or third party coverage. Acceptance of payment less than full fee should require the client to undergo an in depth financial intake. The involvement of clinicians/therapist/case managers in the collection process will further assist the CSB with maximizing revenue.

.200 ACCOUNT FOLLOW-UP

.210 BILLING

The first step in the collection process is getting the claim in the hands of the responsible payer as soon as possible. Claims will be submitted at least monthly to the responsible payer.

.220 PROGRAM ACCOUNTS (MEDICARE, MEDICAID, ETC.) AND INSURANCE ACCOUNTS

1. Submit claim within 30 days of date of service;
2. Follow-up with Carrier 30 days after claim is submitted;
3. Follow-up with Carrier in 5 day increments until claim is resolved;
4. Program and insurance accounts should be resolved within 60 days of the original billing;
5. Should a balance remain after the program/insurance has paid its portion, follow self-pay policy.

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.230 SELF-PAY ACCOUNTS - ACTIVE CLIENTS

1. A statement is mailed to the client or responsible party within a 30 day billing cycle.
2. Follow-up with client or responsible party 30 days after original billing with a past due notice. Additionally, inform the client's clinician/therapist/case manager of the past due amount.
3. Follow-up with client or responsible party 60 days after original billing with a delinquency letter. Again, inform the client's clinician/therapist/case manager of the delinquency. The clinician/therapist/case manager should discuss this delinquency with the client and inform him/her that if payment is not received, services could be terminated.
4. Follow-up with client or responsible party 90 days after original billing with a face-to-face contact. Any necessary arrangements should be made at this time in an attempt to get the account paid. Inform the clinician/therapist/case manager of the outcome of the meeting.
5. If settlement has not been reached within 120 days of original billing, the account is referred to the Clinical Director/Executive Director for consideration of termination of services due to **refusal** to pay and/or submission to Debt Set-Off. This specific step should be outlined in detail in the reimbursement policy and procedures manual and approved by the Board of Directors.

.240 SELF-PAY ACCOUNTS - CLOSED CASES

1. An itemized statement is mailed to the client or responsible party within 30 days of date of service.
2. Follow-up with the client or responsible party 30 days after original billing with a past due notice.
3. Follow-up with the client or responsible party 60 days after original billing with a delinquency letter and a telephone call.
4. Follow-up with the client or responsible party 90 days after original billing with a letter of final notice indicating the account will be turned over for collection if payment is not received in 10 days.

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5. If settlement has not been reached within 100 days of the original billing, the account is removed from the active Accounts Receivable and placed with Debt Set-Off or any private collection agency.

.300 WRITE-OFF OF UNCOLLECTIBLE DEBT

Managing the accounts receivable requires consistent follow up on outstanding accounts and subsequent write-off of uncollectible debt. Accounts should be written off accounting records when all collection procedures have been conducted without result and the account is deemed uncollectible. Industry standards state that accounts not paid in full when services are rendered are less likely to be collected the older the account becomes. The CSB should establish written policies and procedures that determine which accounts will be written off. The policy should include the following:

1. Debt Set-Off or collection agency
2. Adjudicated bankruptcy
3. Deceased
4. Small balance
5. Age of accounts selected for write-off

.400 BANKRUPTCY

Bankruptcy law is a federal statutory law contained in the U.S. Code, Title 11. Bankruptcy proceedings are supervised by and litigated in the United States Bankruptcy Courts. States do not regulate Bankruptcy, however, they may pass laws that govern other aspects of the debtor-creditor relationship.

There are two basic types of Bankruptcy proceedings, Chapter 7 and Chapter 13. The most common is filing under Chapter 7, which is generally referred to as liquidation. Liquidation involves the appointment of a trustee who collects all non-exempt property from the debtor. Exempt property may include family bible, wedding rings, burial plots, automobiles, basic household items, and work-related tools. The trustee may sell the property collected and distribute the proceeds to the various creditors. Or, the trustee could turn over the property to the creditors. The debtor will then receive a discharge of any unpaid debts claimed under Chapter 7. A discharge is a court order that says they do not have to repay certain debts to those creditors listed under Chapter 7. If the debtor failed to list a creditor under Chapter 7, the discharge does not apply to the unlisted creditor.

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Chapter 13 allows the debtor to use future income to pay off their debts and keep their assets. The Bankruptcy Court will approve a three to five year repayment plan. After the debtor has made all of the payments under the plan, he/she will receive a discharge of any unpaid debts to listed creditors claimed under Chapter 13. If the debtor failed to list a creditor under Chapter 7, the discharge does not apply to the unlisted creditor.

The Bankruptcy Code also establishes the priority in which creditors are repaid. First, in line for repayment is the secured creditor. A secured creditor is one that has a lien against a particular piece of property. The sale of this property must be used to satisfy the debt to this creditor before it is used to satisfy debts to other creditors. Second in line for payment are the priority creditors. Congress has granted priority to debts owed to the Federal Government, i.e.: the Internal Revenue Service. The last in line for payment are all other creditors.

Once the Bankruptcy petition has been filed and the Board has been notified as being a listed creditor, all means of collection, including Debt Set-Off, must be stopped immediately. Collection efforts cannot be resumed for any amounts owed prior to the date the bankruptcy petition was filed. Furthermore, any amounts matched or received under the Debt Set-Off program after the date the Bankruptcy petition was filed or 90 days prior to the date of filing, must be released or returned. Since Community Service Boards are the last in line to receive payment, it is recommended any charges incurred prior to the date of the Bankruptcy petition be written off as bad debt. Collection efforts may continue for charges incurred after the date the Bankruptcy petition was filed. These charges are not covered under the Bankruptcy petition. In addition, collection efforts may continue for all charges incurred if the debtor failed to list the Community Services Board as a creditor.

.500 STATUTE OF LIMITATIONS

The Code of Virginia, § 37.1-202.1, concerns the liability for expenses of services provided by Community Services Boards. The code states a limit of- 1,826 days of service for which a client or family can be held liable. There is also a formula given to convert partial days of service into full days. While this code section does not specifically state a time limit for collection of the debt, there are other civil statutes that must be considered.

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In the civil statutes, § 8.01-246 (2) & (4) are to be applied to the collection of debts owed to Community Services Boards.

§ 8.01-246 (2) & (4), Civil Statute - Personal Actions Based on Contracts

"Subject to the provisions of § 8.01-243 regarding injuries to person and property and of § 8.01-245 regarding the application of limitations to fiduciaries, and their bonds, actions founded upon a contract, other than actions on a judgment of decree, shall be brought within the following number of years next after the cause of action shall have accrued:

- (2) In actions on any contract which is not otherwise specified and which is in writing and signed by the party to be charged thereby, or by his agent, within five years whether such writing be under seal or not;
- (4) In actions upon any unwritten contract, expressed or implied, within three years."

The basic rule is that a written contract, or a signed fee agreement, can be enforced up to five years from the date of service while an unwritten contract, such as may occur in emergency situations, can be enforced up to three years from the date of service. This applies to accounts sent to Debt Set-Off, as well as other collection methods.

.600 AGED ACCOUNTS RECEIVABLE TRIAL BALANCE

Accounts receivable trial balance is a tool used in the collection process. It is essential to act on delinquent accounts before they become rather than reacting when a debt is realized as uncollectible. Accounts receivables should be aged on a regular basis. Aging of accounts helps collection follow up since it identifies at a glance which payors or individuals need attention in addition to regular statements. The aging is generally divided into 30, 60, 90 and over 120 days old by payor (for example, self pay, Medicaid, Medicare, etc.). The aging report is simply a tool to show at a glance the status of each payor. The outstanding receivables for each payor should be analyzed and further collection activity invoked.